

Kentucky

From 2002 to 2008, Kentucky's spending increased the most in the hospitals (123%) and education (49%) categories. The increase in hospitals spending was the fourth-highest in the nation in terms of percentage. The spending categories that saw the least growth were health (+18%), debt service (+12%), police (+2%), and parks and recreation (-20%). The state's overall general spending increase of 36% was slightly below the state average, ranking 24th-highest.

Kentucky's total overall revenue growth of 28% ranked 43rd for the period, and its total tax revenue growth of 26% ranked 47th. Corporate income taxes were the fastest growing tax revenue category, increasing 77% and ranking 37th-highest in the nation. Personal income tax and general sales tax revenue each saw modest growth, increasing 30% (39th) and 24% (31st), respectively.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	435,206	35	527,311	39	-4	21%	38
Education	5,870,554	21	8,718,692	16	+5	49%	15
Government Administration	682,808	20	840,386	25	-5	23%	32
Health	530,081	28	626,189	32	-4	18%	34
Highways	1,730,952	12	2,241,275	9	+3	29%	18
Hospitals	493,083	23	1,100,758	14	+9	123%	4
Interest on Debt	449,740	23	503,054	34	-11	12%	40
Natural Resources	310,703	24	373,489	24	0	20%	24
Parks and Recreation	150,157	11	120,502	15	-4	-20%	41
Police Protection	189,524	16	193,185	23	-7	2%	45
Public Welfare	4,796,130	12	6,198,814	14	-2	29%	36
Salaries and Wages	2,933,671	20	3,737,072	22	-2	27%	33
Direct Expenditures	12,773,091	14	17,662,081	15	-1	38%	23
General Expenditures	16,394,058	22	22,363,052	21	+1	36%	24
Total Expenditures	18,424,584	24	25,421,531	22	+2	38%	23
Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	2,678,330	24	3,483,138	30	-6	30%	39
General Sales Tax ²	2,312,224	31	2,875,836	31	0	24%	31
Corporate Income Tax ³	302,129	19	533,630	31	-12	77%	37
Total Taxes	7,974,690	19	10,056,293	31	-12	26%	47
Total Revenue	16,072,899	21	20,581,938	33	-12	28%	43

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Kentucky’s population increased by 4%. This yields a “baseline” growth of 24% for the period. The figure below compares the difference in Kentucky’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

